

**AUTONOMY SYSTEMS LIMITED**

**Report and Financial Statements**

**10 months ended 31 October 2011**

United States District Court  
Northern District of California

**Trial Exhibit 2445**

Case No: CR 18-0577 CRB

Date Entered: \_\_\_\_\_

By: \_\_\_\_\_

Deputy Clerk

**AUTONOMY SYSTEMS LIMITED  
REPORT AND FINANCIAL STATEMENTS 2011**

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**AUTONOMY SYSTEMS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2011  
OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Sergio Letelier (appointed on 25 May 2012)  
Christopher Yelland (appointed on 5 July 2012)

**COMPANY SECRETARY**

Roberto Putland (appointed 30 May 2012)

**REGISTERED OFFICE**

Cain Road  
Amen Corner  
Bracknell  
Berkshire  
RG12 1HN

(registered address as of 3 June 2013 when it was changed from Autonomy House, Cambridge Business Park,  
Cowley Road, Cambridge, Cambridgeshire, CB4 0WZ)

**BANKERS**

Barclays Bank plc  
St Andrews Street  
Cambridge  
CB2 3AA

**INDEPENDENT AUDITORS**

Ernst and Young LLP  
Apex Plaza  
Forbury Road  
Reading  
Berkshire  
RG1 1YE

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**AUTONOMY SYSTEMS LIMITED****DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 OCTOBER 2011**

The directors present their annual report and the audited financial statements for the 10 months ended 31 October 2011.

**PRINCIPAL ACTIVITY**

The Company's principal activity continues to be software development and distribution.

On 18 August 2011, the Board of Hewlett-Packard Company and the Board of the parent company announced the terms of a recommended cash offer (the "Offer") by Hewlett-Packard Vision B.V. to acquire the entire issued and to be issued share capital of the parent company. The Offer was declared wholly unconditional on 3 October 2011 and following sufficient acceptances under the Offer having been received, cancellation of listing and trading of the parent company's shares took effect on 14 November 2011. On 5 January 2012, Autonomy Corporation Plc was acquired by Hewlett-Packard Vision B.V. and the parent company was acquired by the Hewlett-Packard group as part of its acquisition of the Autonomy Group ("Autonomy" or "the Group").

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

Revenue for the period has decreased from £81,293,000 (restated) to £73,482,000 and profit before tax has decreased from £43,110,000 (restated) to £11,579,000. At the balance sheet date Autonomy Systems Limited had net assets of £146,781,000 (year ended 31 December 2010: £129,515,000 (restated)).

The Company has continued to endeavour to establish its technology as the infrastructure standard for automating operations on all forms of unstructured information. This involved signing licence agreements with new customers and establishing relationships with third party value added resellers, services providers and original equipment manufacturers (OEMs) until 1 June 2013 whereon the Company sold its trade and assets to Hewlett-Packard Limited, a fellow group undertaking, retaining only its research and development function.

**REDACTED**

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, have revealed extensive errors (including misstatements) in the previously issued financial statements. These have required all aspects of the accounting to be re-assessed. The errors found as a result of these investigations have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010, principally relating to the recognition of revenue and costs, as well as to the accounting for investments and to correct the balance sheet for balances denominated in foreign currency not re-valued at the year end.

Given the volume and magnitude of the above errors, it is possible that further errors may remain undetected. RE

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The Company's earnings and financial position may be further impacted by any such additional errors found in the accounting of fellow group undertakings including in intragroup transactions, especially as the Company earns a significant element of revenue from the earnings of fellow group undertakings. As a result of the investigations by Hewlett-Packard the earnings of fellow group undertakings have themselves been subject to substantial corrections for the current and prior periods compared to any previously prepared financial statements. These restatements are for similar reasons to the Company, principally relating to the overstatement of revenues in Autonomy's U.S. operations.

**AUTONOMY SYSTEMS LIMITED****DIRECTORS' REPORT (continued)  
FOR THE PERIOD ENDED 31 OCTOBER 2011****BUSINESS REVIEW AND FUTURE DEVELOPMENTS (continued)****REDACTED**

In addition to the uncertainties discussed above, the work that the Directors were able to undertake on closing the books and preparing the financial statements was limited in certain cases by the information that was available to them, principally in the area of intercompany opening balances at 1 January 2010 (see note 1).

The Directors have completed all the work that they reasonably believe is necessary to prepare these accounts,, are not aware of any matters significant to the financial statements they have not addressed at the time of preparing these financial statements and have made such reasonable judgements and estimates that are necessary for them to close the books and prepare these financial statements. Accordingly the Directors are satisfied that the financial statements reflect a true and fair view of the state of affairs of the Company and of its financial performance for the period.

Separate to the above mentioned corrections of the previously issued financial statements, as a result of Hewlett-Packard Company's acquisition of the Autonomy group on 3 October 2011, the Company has adopted certain accounting policies used by other Hewlett-Packard group entities reporting under UK GAAP that are considered to be more appropriate, principally related to the expensing of research and development costs as incurred. Consistent with Financial Reporting Standard No. 3 those changes have been reflected as a prior period adjustment.

The impact of the fundamental errors is to reduce profit by £72.7m in the year ending 31 December 2010, and reduces opening reserves at 1 January 2010 by £80.1m. The impact of the changes in accounting policy is to reduce profit by £13.4m in the year ending 31 December 2010, and reduces opening reserves at 1 January 2010 by £2.4m. The aggregate impact of all of these restatements on the profit for the year ending 31 December 2010 is to reduce the net profit from £105.7m to £19.6m, and to reduce opening reserves at 1 January 2010 from £191.4m to £108.9m. The nature of the restatements, and the impact on the financial position of the Company, is described in more detail in note 19 to the accounts.

**CHANGE OF REPORTING DATE**

On 25 November 2011 the Company changed its financial reporting date to 31 October (previously 31 December) to align with its new ultimate parent Company.

**DIVIDENDS**

The directors do not recommend the payment of a dividend for the current financial period (year ended 31 December 2010: £nil).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks to which the business is exposed are summarised as follows:

- Our business depends on our core technology, currently marketed under the brand IDOL Server, and our strategy has been, and for the foreseeable future will continue to be, to concentrate our efforts on developing and marketing software based on our proprietary technology. Technology which significantly competes with the Company's technology, or material legal claims against our technology, would present a material risk to the Company.
- Expenditures increasing without a commensurate increase in revenues, and rapid changes in market conditions, could result in poor operating results.
- The average selling prices of our products could decrease rapidly, which may negatively impact revenues and gross margins.
- Our reliance on sales of our products by third parties such as value added resellers makes it difficult to predict our revenues, cash flow and operating results.
- Errors or defects in our products could negatively affect our revenues and the market acceptance of our products and increase our costs.
- Potential actions against the Company as a result of ongoing investigations.

**AUTONOMY SYSTEMS LIMITED****DIRECTORS' REPORT (continued)  
FOR THE PERIOD ENDED 31 OCTOBER 2011**

- Potential adverse impact to the Company's brand and reputation as a result of conduct that preceded Hewlett-Packard's acquisition of the Company in October 2011.

**KEY PERFORMANCE INDICATORS**

The Company has several key performance measures used internally to monitor and challenge performance and to assist investment decisions. The most important indicators are:

- Revenue
- Profit before tax
- Research and development expenditure
- Headcount

Financial performance and position in the current and prior periods is summarized as follows:

	2011	2010	
	£'000	£'000 (restated)	% Change
Revenue (2011 annualised)	88,178	81,293	8%
Profit before tax (2011 annualised)	13,895	43,110	(68%)
Research and development expenditure (2011 annualised)	7,576	6,118	24%
Headcount	312	227	37%

The Company continues to invest in research and development. The directors regard investment in this area as a prerequisite for success in the medium to long-term future. Profit before tax has fallen principally as a result of higher marketing support costs and a higher stock compensation charge.

**FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a number of financial risks including credit risk, foreign exchange risk and liquidity risk.

*Foreign exchange risk*

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. These are naturally hedged with similar levels of income and expenditure in foreign currencies.

*Credit risk*

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

*Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses funds from related group undertakings. The Autonomy group has significant cash balances.

## **AUTONOMY SYSTEMS LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 31 OCTOBER 2011**

#### **DIRECTORS**

The directors who served during the period and to the date of this report were as follows:

Sushovan Hussain (resigned on 27 September 2011)  
Andrew Kanter (resigned on 30 May 2012)  
Sergio Letelier (appointed on 25 May 2012)  
Christopher Yelland (appointed on 5 July 2012)  
Nicholas Wilson (appointed on 31 August 2012 and resigned on 29 November 2012)  
Roberto Putland (appointed on 25 May 2012 and resigned on 24 April 2013)  
Joel Scott (appointed on 12 June 2012 and resigned on 31 August 2012)

The current Articles of Association of the Company provide for third party indemnification of directors, which is in place for the current directors. A copy of the Company's Articles of Association is available for inspection at the Company's office and from Companies House.

#### **RESEARCH AND DEVELOPMENT**

The Company continues to develop new software products and expects further product developments. The total amount written off to the profit and loss account for research and development expenditure during the period was £6,313,000 (year ended 31 December 2010: £6,118,000 (restated)).

#### **SUPPLIER PAYMENT POLICY**

The Company's policy is generally to pay suppliers at the end of the month following that in which the supplier's invoice is received. The number of creditor days outstanding at 31 October 2011 was 126 days (year ended 31 December 2010: 103 days).

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the period the Company made charitable donations of £17,000 (year ended 31 December 2010: £3,000) principally to local charities serving the community in which the Company operates. No political donations were made.

#### **EMPLOYEES**

Details of the number of employees and related costs can be found in note 6 to the financial statements.

#### **EMPLOYMENT OF DISABLED EMPLOYEES**

All applications from disabled employees are fully considered. Should an employee become disabled, it is the Company's practice to continue their current employment where possible or offer suitable alternatives. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

#### **EMPLOYEE INVOLVEMENT**

The Company continues to place importance on the education and development of its people. There is a well-developed employee involvement programme within the Company. Employee representatives are consulted regularly on a wide range of matters affecting their interests and receive regular newsletters.

The Company's goal is to create health and safety practices and work environments that enable employees to work injury-free. This is accomplished by continually reducing occupational injury and illness risks while promoting employee health and well-being.

The Company believes that a diverse workforce encourages creativity and innovation and helps build an exciting, stimulating work environment. A diverse workforce, reflecting the demographics of the many different markets where the Company operates, also provides a competitive advantage and helps acquire new business

## **AUTONOMY SYSTEMS LIMITED**

### **DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 31 OCTOBER 2011**

#### **DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors in office at the date of signature of these accounts were not directors of the Company for the period covered by the accounts. The directors consider that there remains a risk that not all information relevant to the production of these accounts is available to the current directors and consequently therefore not available to the auditors. In making this determination the current directors have considered the findings from the previously discussed investigation into financial misrepresentations announced by Hewlett-Packard Company, the identified errors in previously reported financial statements as well as the quality and completeness of the accounting records maintained by the previous management team. The current directors have executed all reasonable efforts to mitigate these circumstances and, notwithstanding these limitations, each of the persons who is a director at the date of the approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **GOING CONCERN**

The Company continues to receive the support of Hewlett-Packard The Hague B.V to allow it to meet its liabilities as they fall due and for the next 12 months from the date of this report. As a consequence, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **POST BALANCE SHEET EVENTS**

On 28 March 2012, the Directors of Autonomy Systems Limited declared an interim dividend of £191,508,000 (paid in USD at a rate of £1:USD1.5874) to Autonomy Corporation Limited.

On 25 April 2012, Autonomy Corporation Limited (formerly Autonomy Corporation plc) subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited.

Also on 25 April 2012, Autonomy Systems Limited subscribed to 1 ordinary share in Longsand Limited at a premium equal to the face value of the promissory note to settle the promissory note in full note (face value: £424,000).

On 1 June 2013 the Company sold its trade and assets to Hewlett-Packard Limited, a fellow group undertaking, retaining only its research and development function.



**AUTONOMY SYSTEMS LIMITED**

**DIRECTORS' REPORT (continued)  
FOR THE PERIOD ENDED 31 OCTOBER 2011**

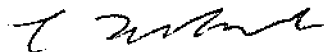
**POST BALANCE SHEET EVENTS (continued)**

As discussed in note 19, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010. As a result of this the Company has submitted a total claim for overpayment of tax of £37,385,000 in December 2013 (£17,791,000 in respect of the tax return for the year ended 31 December 2009 and £19,594,000 in respect of the tax return for the year ended 31 December 2010). Based on further adjustments to the financial statements after the claim was submitted to HMRC the current best estimate of the revised claim that will be submitted to HMRC for over payment of tax is £38,435,000 (£18,696,000 in respect of the tax return for the year ended 31 December 2009 and £19,739,000 in respect of the tax return for the year ended 31 December 2010). At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment.

**AUDITORS**

On 15 February 2013, Ernst and Young LLP were appointed as auditors of the Company.

Approved by the Board of Directors and signed on behalf of the Board



31 January 2014

Christopher Yelland

Director

## **AUTONOMY SYSTEMS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTONOMY SYSTEMS LIMITED**

We were engaged to audit the financial statements of Autonomy Systems Limited for the period ended 31 October 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. Because of the matter described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Basis for disclaimer of opinion on the financial statements**

The audit evidence that was available to us was limited in respect of the following matters:

- As disclosed in the Directors' Report and note 1 the work that the current Directors, who were not the Directors during the period, were able to undertake in closing the books and preparing the financial statements was limited by the information that was available to them. If additional information and evidence had been available to the Directors, including information that might be identified from the ongoing investigations, further adjustments might have been required to the reported results for the period ended 31 October 2011 and to the liabilities and the retained earnings positions at 1 January 2011 and 31 October 2011.
- As disclosed in the Directors' Report and note 1 to the financial statements there are limitations over the quality and completeness of the documentation available to support intercompany balances reported in the financial statements. The Directors have made certain judgements related to underlying transactions, including those relating to the timing and classification of the amounts recorded, the application of appropriate foreign exchange rates and the impact of the resulting retranslation of balances at period ends. If additional information and evidence was available to the Directors further adjustments might be required to the intercompany balances, the classification and measurement of amounts recorded in the income statement, and to the retained earnings position.
- As disclosed in the Directors' Report and note 1 to the financial statements the Company's earnings and financial position may be further impacted by additional errors found in the accounting of fellow group undertakings, including in intragroup transactions, which would impact the income earned from fellow subsidiaries by the Company. If further information was available to the Directors the royalty and profit

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTONOMY SYSTEMS LIMITED**

sharing amounts in the Profit and Loss Account for the period ended 31 October 2011 might be different and would lead to a consequential change in the reported intercompany balances, taxation and retained earnings positions.

### **Disclaimer of opinion on financial statements**

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

### **Emphasis of matter – uncertain outcome of investigations and potential claims**

In addition to our disclaimer of opinion on the financial statements, which is not modified in this respect, we have considered the adequacy of the disclosures made in Note 21 to the financial statements relating to the ongoing investigations and the potential for any fines, penalties or claims that may arise as a result of any actions that might be taken against the Company. It is not possible at this time either to determine whether any actions will be taken against the Company or to estimate the quantum of any fines, penalties or claims were the Company to be subject to such actions and no provision for any liability that may result has been made in the financial statements.

### **Opinion on other matters prescribed by the Companies Act 2006**

Notwithstanding our disclaimer of an opinion on the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

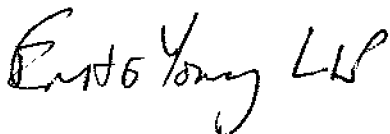
### **Matters on which we are required to report by exception**

In respect of the limitations on our work relating to the matters referred to in the Disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.



David Hales (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading

31 Jan 2014

**AUTONOMY SYSTEMS LIMITED****PROFIT AND LOSS ACCOUNT**  
**10 months ended 31 October 2011**

	Note	10 months ended 31 October 2011 £'000	Year ended 31 December 2010 £'000 (restated)
<b>TURNOVER</b>	2	73,482	81,293
Cost of sales		(19,582)	(5,349)
<b>GROSS PROFIT</b>		53,900	75,944
Distribution expenses		(23,496)	(20,893)
Administrative expenses		(18,699)	(12,071)
Amounts written off investments		-	(200)
<b>OPERATING PROFIT</b>	3	11,705	42,780
Other income		209	277
Interest receivable and similar income	4	95	121
Interest payable and similar charges	5	(430)	(68)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		11,579	43,110
Tax on profit on ordinary activities	7	576	(23,484)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	16	12,155	19,626

All results are derived from continuing activities.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial periods stated above and their historical cost equivalents.

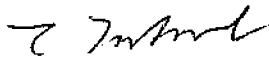
**AUTONOMY SYSTEMS LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**10 months ended 31 October 2011**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
<i>Profit for the financial period</i>	<u>12,155</u>	<u>19,626</u>
<b>TOTAL RECOGNISED PROFIT RELATING TO THE PERIOD</b>	<u>12,155</u>	<u>19,626</u>
Prior period adjustment (as explained in note 19)	<u>(168,673)</u>	
<b>TOTAL LOSSES RECOGNISED SINCE LAST REPORT</b>	<u>(156,518)</u>	

**AUTONOMY SYSTEMS LIMITED****BALANCE SHEET****31 October 2011**

	Note	31 October 2011 £'000	31 December 2010 £'000 (restated)
<b>FIXED ASSETS</b>			
Software licenses	9	8	-
Goodwill	10	15,480	19,160
Intangible assets		15,488	19,160
Tangible assets	11	3,575	1,613
Investments	12	1,573	46
		20,636	20,819
<b>CURRENT ASSETS</b>			
Stocks		-	38
Debtors	13	215,310	148,241
Cash at bank and in hand and short term deposits (including restricted cash of £1,920,000 at 31 October 2011 (31 December 2010: £nil))		4,353	24,775
		219,663	173,054
<b>CREDITORS: amounts falling due within one year</b>	14	(93,518)	(64,358)
<b>NET CURRENT ASSETS</b>		126,145	108,696
<b>NET ASSETS</b>		146,781	129,515
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	-	-
Profit and loss account	16	146,781	129,515
<b>TOTAL SHAREHOLDER'S FUNDS</b>	16	146,781	129,515

The financial statements on pages 11 to 37 were approved by the board of directors on 31 JANUARY 2014 and signed on its behalf by:



Christopher Yealand  
Director  
Company registration number: 03063054

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in relation to the financial statements, except as noted below.

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

In preparing the financial statements for the current period, the Company has restated the comparative figures for the following:

- the correction of fundamental errors (including misstatements). Adjustments have been made to correct revenue recognition errors as well as cost recognition errors. In addition corrections have been recorded for the revaluation of balances denominated in foreign currency and to correct the legal ownership of an investment.
- a change in accounting policy in relation to research and development. The Company has historically capitalised development costs on the balance sheet and amortised these costs through the profit and loss account over the life of the product to which they related. During 2011, after the Company became a subsidiary of Hewlett-Packard, this policy was amended to expense all research and development expenditure as incurred to the profit and loss account to align the accounting policies of Autonomy Systems Limited with those of other entities in the Hewlett-Packard Group reporting under UK GAAP.
- a change in accounting policy with regard to cost classification, between cost of sales, administration expenses and distribution expenses. This change has been made in order to present financial statements that more appropriately reflect the definitions of these costs.

The impact of these changes is described in note 19.

**REDACTED**

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, have revealed extensive errors in the previously issued financial statements. These have required all aspects of the accounting to be re-assessed. The errors found as a result of these investigations have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010, principally relating to the recognition of revenue and costs, as well as to the accounting for investments and to correct the balance sheet for balances denominated in foreign currency not re-valued at the year end.

Given the volume and magnitude of the above errors, it is possible that further errors may remain undetected.

**REDACTED**

The Company's earnings and financial position may be further impacted by any such additional errors found in the accounting of fellow group undertakings including in intragroup transactions, especially as the Company earns a significant element of revenue from the earnings of fellow group undertakings. As a result of the investigations by Hewlett-Packard the earnings of fellow group undertakings have themselves been subject to substantial corrections for the current and prior periods compared to any previously prepared financial statements. These restatements are for similar reasons to the Company, principally relating to the overstatement of revenues in Autonomy's U.S. operations.



**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****1. ACCOUNTING POLICIES (continued)***Intercompany balances*

Although the intercompany balances at 1 January 2010 agree to their counterparties, it has not been possible to validate all underlying transactions within these balances which originated from prior accounting periods. There is therefore a risk that further undetected errors remain present in the balances at 1 January 2010. This represents an uncertainty over the accuracy of the opening intercompany balances and any impacts that such inaccuracies may have on the reported financials in subsequent years. The Directors have undertaken work to ensure that the balances with other Autonomy entities are agreed by the relevant counterparty at 31 October 2011, the balance sheet date.

**Going concern**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons set out in the Directors' Report.

**Cash flow statement**

In accordance with Financial Reporting Standard 1 (revised), Autonomy Systems Limited has not published a cash flow statement as its ultimate parent Company, Hewlett-Packard Company, which is incorporated in the United States of America, has published consolidated financial statements.

**Turnover**

The Company earns revenue from the sale of software and related services and from participating in the earnings of fellow group undertakings. During 2011 there has been no change to the company's turnover recognition policies in any respect. To assist the reader in understanding the company's business the accounting policy set forth below has been reviewed and clarified, but does not represent any change in the company's accounting policy for the recognition or measurement of turnover.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts and sales taxes.

**i) Sale of goods**

The company sells its products as licenses to resellers, OEMs and direct to end-users together with associated support and maintenance. In addition, the company also sells some of its products on a subscription basis.

Turnover from software license agreements is recognised where there is persuasive evidence of an agreement with a customer (contract and/or binding purchase order), delivery of the software has taken place, collectability is probable and the fee has been contractually agreed and is not subject to adjustment or refund (i.e. is fixed and determinable). If an acceptance period is required, turnover is recognised upon the earlier of customer acceptance or the expiration of the acceptance period. If significant post-delivery obligations exist or if a sale is subject to customer acceptance, turnover is deferred until no significant obligations remain or acceptance has occurred.

The company enters into OEM and reseller arrangements that typically provide for fees payable to the company based on licensing of the company's software to third party customers. Sales are recognised based on the amount of product sold subject to the criteria above.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****I. ACCOUNTING POLICIES (continued)****Turnover (continued)****ii) Support and Maintenance**

Turnover from customer support and maintenance is recognised rateably over the term of the support period. If customer support and maintenance is included free or at a discount in a multiple element arrangement, these amounts are allocated out of the license fee at their fair market value based on the value established by independent sale of the customer support and maintenance to customers. Support and maintenance consists primarily of the supply of products, such as patches and updates, to the standard software.

**iii) Rendering of services**

Consulting and training turnover is included within rendering of services.

Turnover from consulting and training services is recognised as services are performed. If a transaction includes both license and service elements, license fee turnover is recognised upon shipment of the software, provided services do not include significant customisation or modification of the base product and the payment terms for licenses are not subject to acceptance criteria and the fair value of the service element can be determined. In cases where license fee payments are contingent upon the acceptance of services, turnover from both the license and the service elements is deferred until the acceptance criteria are met.

If services include significant customisation or modification, then revenue is recognised as the services are performed and stage of completion is determined by reference to the costs incurred as a proportion of the total estimated costs of the service project. If a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred. Provision is made as soon as a loss is foreseen.

**iii) Managed Service Turnover**

Turnover for managed services is recognised as the services are delivered. The services may comprise of a combination of hosted services and software as part of a multiple element arrangement, as described below, and where applicable an assessment is performed to determine whether software elements can be separated from on-going service elements. In the situation where the elements cannot be separated, the license turnover is recognised rateably over the service period.

**iv) Multiple element arrangements**

The Company evaluates the elements of a transaction to identify the appropriate accounting elements so that revenue recognition criteria may be applied to separately identifiable elements of a single transaction, and when appropriate, the recognition criteria may be applied to two or more transactions when their economic substance cannot be understood individually.

For those transactions with multiple elements, if the Company has determined that the undelivered elements of that contract have fair value, the Company records the revenue associated with the delivered elements (generally the software license) at an amount that represents the fee for the transaction less the fair value of any undelivered element and defers the fair value of undelivered elements of the transaction (generally the support and maintenance and services).

**v) Revenues from fellow group undertakings**

The Company earns income through a share of the earnings of fellow group undertakings. The earnings of the fellow group undertakings are derived from the sale of software and related services incorporating intellectual property owned or licensed by the Company, and from the sale of other products, including hardware.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****I. ACCOUNTING POLICIES (continued)****Intangible fixed assets – Software Licenses**

Intangible fixed assets are capitalised at cost.

Amortisation is calculated to write off the cost of an asset on a straight line basis, less its estimated residual value, over the useful economic life of that asset as follows:

Software licenses	- 3 years
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The carrying value of intangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Intangible fixed assets - Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised and amortised over its useful economic life on a straight-line basis. The directors estimate the useful economic life of the goodwill relating to each business combination on an individual basis.

Amortisation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as determined by the Directors.

During the period the estimated useful life of the asset was reduced from 15 to 5 years as the Directors consider this a better estimate of the period over which the Company will derive economic benefit. This has been accounted for as a change in accounting estimate and resulted in an additional £2.4m amortisation expense being recorded in the current period.

**Tangible fixed assets**

All tangible fixed assets are originally recorded at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of an asset on a straight line basis, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- period of lease
Motor vehicles	- 3 years
Computer equipment	- 3 years
Fixtures, fittings and equipment	- 5 years

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Fixed asset investments**

Investments are included at cost, less any provision for impairment.

The carrying value of investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

**AUTONOMY SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**10 months ended 31 October 2011**

**I. ACCOUNTING POLICIES (continued)**

**Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in the periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**Research and development**

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred. This is a change in accounting policy from the prior year, for additional information see note 19.

**Leases**

Rentals payable on operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

**Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at operating profit.

**Pension costs**

The Company operates a defined contribution pension scheme.

The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the period and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

**Share-based payments**

The Company's intermediate parent Company, Autonomy Corporation Ltd (formerly plc), issued equity-settled share-based payment awards to certain employees. The Company complies with FRS 20, "Share-based Payment", in these financial statements.

In accordance with FRS 20, equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****1. ACCOUNTING POLICIES (continued)****Share-based payments (continued)**

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

**Restricted cash**

The Company includes restricted cash within cash at bank and in hand. The restricted cash stems from obligations to hold monies in escrow as a result of it entering debt financing agreements on a number of specific trade receivable balances.

**2. TURNOVER**

All turnover relates to one business segment, being the sale of software and related services, and originates in the United Kingdom. The split of turnover by geographical destination was as follows:

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
United Kingdom	9,019	6,227
Rest of Europe	8,682	14,416
Rest of World	55,781	60,650
	<u>73,482</u>	<u>81,293</u>

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****3. OPERATING PROFIT**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
<b>Operating profit is stated after charging</b>		
Depreciation of owned tangible fixed assets	636	572
Research and development costs incurred in the UK	6,313	6,118
Amortisation of intangible fixed assets	3,680	829
Foreign exchange loss	339	1,331
Operating lease rentals (land and buildings)	1,574	1,255
Operating lease rentals (other)	65	52

The auditor's remuneration for the period in respect of the Company was £1,612,000 (current auditor: £1,100,000, previous auditor £512,000). The auditor's remuneration for the year ended 31 December 2010 was £647,000 (current auditor: £nil, previous auditor £647,000).

Non-audit fees for the period for tax compliance support and other compliance support were £147,000 (current auditor: £70,000, previous auditor £77,000). Non-audit fees for the year ended 31 December 2010 were £49,000 (current auditor: £nil, previous auditor £49,000).

Both auditor's remuneration and non-audit fees were borne by Autonomy Corporation Limited with no right of reimbursement.

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Bank interest receivable and similar income	95	121

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000</b>
Bank interest payable and similar charges	430	68

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The directors of the company at the period end were also directors of other Autonomy Group companies and ceased being directors after the period end. The previous directors received total remuneration for the period of £9,943,000 (including salary, bonus and benefits of £935,000, gains on exercise of share options of £7,980,000, deferred bonus share gains of £1,028,000) and pension contributions of £14,000 (2010: remuneration £2,815,000 (restated), (including salary, bonus and benefits of £779,000 (restated), gains on exercise of share options of £2,036,000 and deferred bonus share gains of £nil), and pension contributions of £15,000), all of which was paid by Autonomy Systems Limited.

The number of directors to whom retirement benefits are accruing at the end of the period was 2 (2010: 2).

The number of directors who served during the period was 2 (2010: 2) and who exercised share options during the period was 2 (2010: 2). Share options were exercised through Autonomy Corporation Limited, the Company's immediate parent.

The current directors have concluded it is not practicable to apportion this amount between their services as directors of the Company and services as directors of the Autonomy Group companies. The current directors were not directors of the Company in the period to 31 October 2011.

The highest paid director received total remuneration for the period of £4,961,000 (including salary, bonus and benefits of £508,000, gains on exercise of share options of £3,425,000, deferred bonus share gains of £1,028,000) and, pension contributions of £8,000 (2010: remuneration £846,000 (restated), (including salary, bonus and benefits of £450,000 (restated), gains on exercise of share options of £396,000, deferred bonus share gains £nil), and pension contributions £9,000).

In respect of the highest paid director, pension contributions of £nil and bonuses of £159,000 were accrued at the period end (2010: pensions £nil, bonuses £155,000).

	No.	No.
<b>The average monthly number of persons employed (including directors) by the Company during the period was as follows:</b>		
Administrative	67	50
Software development	81	77
Sales and marketing	106	76
Customer delivery and support services	58	24
	<u>312</u>	<u>227</u>
	<b>10 months ended 31 October 2011</b>	<b>Year ended 31 December 2010</b>
	<b>£'000</b>	<b>£'000 (restated)</b>
<b>The costs incurred in respect of these employees were as follows:</b>		
Wages and salaries	15,151	13,215
Social security costs	1,846	1,405
Pension costs	118	124
	<u>17,115</u>	<u>14,744</u>
Stock compensation charge (note 8)	<u>5,111</u>	<u>1,007</u>
	<u>22,226</u>	<u>15,751</u>
		<u>21</u>

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011****7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
<b>Corporation tax</b>		
United Kingdom corporation tax	(2,635)	23,184
Overseas Taxation	-	87
Adjustment in respect of prior years	696	413
Total current tax charge	(1,939)	23,684
<b>Deferred taxation</b>		
Origination and reversal of timing differences	1,308	(200)
Derecognised during the period	33	-
Effect of changes in tax rates	22	-
Tax (credit)/charge on profit on ordinary activities	(576)	23,484

The tax assessed on the profit on ordinary activities for the period is lower (2010: higher) than the standard rate of corporation tax in the UK of 26.6% (2010: 28%). The differences are reconciled below:



**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Profit on ordinary activities before tax	<u>11,579</u>	<u>43,110</u>
Tax on profit on ordinary activities at standard rate of corporation tax of 26.6% (year ended 31 December 2010: 28%)	3,080	12,071
Factors affecting charge for the period:		
Expenses disallowed and non-taxable income	102	(279)
Capital allowances in excess of depreciation	(21)	68
Other short term timing differences	15	-
Imputed interest on intercompany balances	3,331	-
Research and development tax credits	(1,711)	(2,225)
Gain on disposal of patents	1,669	-
Share option deduction in excess of P&L charge	(9,353)	(1,469)
Utilisation of brought forward tax losses	-	(78)
Unrelieved foreign tax credit carried forward	36	-
Group relief surrendered/(claimed) for nil payment	349	(4,037)
Impact of rate change on loss carry back claim	(132)	-
Adjustment in respect of prior years	696	413
Overseas Taxation	-	87
Tax benefit not recognised for prior year restatement	-	19,133
Tax (credit)/charge for the period	<u>(1,939)</u>	<u>23,684</u>

**Factors affecting prior tax charges**

As discussed in note 19, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010. As a result of this the Company has submitted a total claim for overpayment of tax of £37,385,000 in December 2013 (£17,791,000 in respect of the tax return for the year ended 31 December 2009 and £19,594,000 in respect of the tax return for the year ended 31 December 2010). Based on further adjustments to the financial statements after the claim was submitted to HMRC the current best estimate of the revised claim that will be submitted to HMRC for over payment of tax is £38,435,000 (£18,696,000 in respect of the tax return for the year ended 31 December 2009 and £19,739,000 in respect of the tax return for the year ended 31 December 2010). At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment.

The over payment of tax claim made in December 2013 includes additional group relief claims of £12,113,000 in respect of the year ended 31 December 2009 compared to the original tax return submitted and a £2,364,000 decrease for the year ended 31 December 2010. However, no tax benefit has been recognized for the additional group relief claim or prior year restatement. This is disclosed as the "tax benefit not recognised for prior year restatement" in the tax reconciliation above.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)****Factors affecting current and future tax charges**

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011. This rate reduction was substantively enacted in March 2011. Accordingly, the Company's loss for this accounting period is taxed at an effective rate of 26.6%. The 2011 budget also proposed a further reduction in the standard rate of corporation tax to 25% from 1 April 2012 and this was substantively enacted in July 2011.

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively. Further reductions in the main rate of corporation tax in the UK to 21% effective from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted on 2 July 2013. These changes were not substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

**Deferred Tax**

The deferred tax provided for is £nil (2010: £1,363,000). This comprises:

	<b>10 months ended 31 October 2011 £'000</b>	<b>Year ended 31 December 2010 £'000 (restated)</b>
Fixed asset timing differences	-	192
Other short term timing differences	-	3
Share based payments	-	1,168
At end of period	-	1,363

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011****7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The movement in the deferred tax asset comprises:

	10 months ended 31 October 2011 £'000	Year ended 31 December 2010 £'000 (restated)
At beginning of period	1,363	1,163
Origination and reversal of timing differences	(1,308)	200
Derecognised during the period	(33)	-
Effect of changes in tax rates	(22)	-
	<hr/>	<hr/>
At end of period	-	1,363
	<hr/>	<hr/>

The unrecognised deferred tax asset in the current period is £33,000 (2010: £nil (restated)). This comprises:

	10 months ended 31 October 2011 £'000	Year ended 31 December 2010 £'000 (restated)
Accelerated capital allowances	16	-
Other short term timing differences	17	-
	<hr/>	<hr/>
	33	-
	<hr/>	<hr/>

The deferred tax asset is not being recognised on the basis that management are uncertain of the future taxable income against which these assets can be utilised.

The impact of the rate reduction to 20% would be to reduce the unrecognised deferred tax asset by £7,000 to £26,000.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****8. SHARE BASED PAYMENTS**

The Company's employees participated in an unapproved option plan, UK Discretionary Option Scheme 1996 (the "Autonomy Scheme") providing employees and executives with the opportunity to acquire a proprietary interest in Autonomy Corporation Limited (formerly Autonomy Corporation plc) as an incentive to attract and retain the services of employees. Under the terms of the plan, options were granted with exercise prices not less than the fair market value of Autonomy Corporation Limited shares, became exercisable over vesting periods as established by the Board of Directors (generally three to four years), and generally expired seven years from the date of grant. Vested options are forfeited following termination of employment. Options were valued using the Black-Scholes model. No performance conditions were included in the fair value calculations. The Autonomy Scheme options were all exercised upon acquisition of the Company by the Hewlett-Packard Company, resulting in an acceleration of the share based payment charge.

The following tables summarize options outstanding as at 31 October 2011 and 31 December 2010.

	31 October 2011		31 December 2010 (restated)	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at beginning of period.....	2,219,614	10.29	2,368,162	8.10
Granted during the period.....	848,878	15.08	548,824	14.94
Exercised during the period.....	(3,009,950)	11.49	(658,079)	6.49
Transferred during period.....	(553)	13.16	(3,382)	8.16
Expired during the period.....	(57,989)	14.22	(35,911)	12.61
Outstanding at the end of the period.....	0		2,219,614	10.29
Exercisable at the end of the period.....	0		1,328,045	8.19

The weighted average share price at the date of exercise for share options exercised during the period was £25.00 (2010: £17.01). There were no remaining options outstanding at 31 October 2011. The options outstanding at 31 December 2010 had a weighted average exercise price of £10.29 and a weighted average remaining contractual life of 4.8 years. The number of shares outstanding at the beginning of 2010 has been restated to include options which had previously been disclosed in other group entities.

The weighted average fair value of options granted in the period was £6.16 per option (2010: £5.02 per option). The assumptions for the Black-Scholes model are as follows:

	31 October 2011	31 December 2010
Weighted average share price	£16.88	£14.96
Weighted average exercise price	£16.88	£14.96
Expected volatility	51%	46%
Expected life	3 years	3 years
Risk-free rate	2.5%	2.5%
Expected dividends	-	-

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****8. SHARE BASED PAYMENTS (continued)**

Share option exercise prices were automatically adjusted to reflect the changes in Autonomy Corporation Limited's share capital structure arising in connection with the Company's December 2006 rights issue. The effect of the adjustment was to ensure that employees were not unfairly discriminated against as stakeholders following the dilution of Autonomy Corporation Limited's share price as a result of the rights issue. No fair value adjustments arose as a result of this transaction.

During the period, 82,878 shares were granted at nil exercise price to a director and an employee as part of the deferred bonus plan. All shares awarded in the deferred bonus plan vested upon the group's acquisition by Hewlett-Packard Company on 3 October 2011, resulting in 101,767 shares being exercised by directors and employees. In 2010, 20,750 shares vested.

The Company recognised total expense of £5,111,000 (2010: £1,007,000) related to equity-settled share based payments in 2011.

**9. INTANGIBLE FIXED ASSETS – SOFTWARE LICENSES**

	<b>Software licenses £'000</b>
<b>Cost</b>	
At 1 January 2010	1,021
Additions	8
Disposals	(1,021)
	<hr/>
At 31 October 2011	8
	<hr/>
<b>Accumulated amortisation</b>	
At 1 January 2011	1,021
Disposal	(1,021)
	<hr/>
At 31 October 2011	-
	<hr/>
<b>Net book value</b>	
At 31 October 2011	8
	<hr/>
At 31 December 2010	-
	<hr/>

The comparative information has been restated for a retrospective change in accounting policy to expense research and development expenditure to the profit and loss account as incurred. For additional information see note 19.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011****10. INTANGIBLE FIXED ASSETS - GOODWILL**

	<b>£'000</b> <b>(restated)</b>
<b>Cost</b>	
At 1 January 2011 and 31 October 2011	19,989
<b>Accumulated amortisation</b>	
At 1 January 2011	829
Charge for the period	3,680
At 31 October 2011	4,509
<b>Net book value</b>	
At 31 October 2011	15,480
At 31 December 2010	19,160

The cost has been restated as a result revenue adjustments identified in prior years (note 19).

As per Note 1 the useful life of the goodwill has been amended from 15 to 5 years.

**11. TANGIBLE FIXED ASSETS**

	<b>Leasehold improve- ments £'000</b>	<b>Motor vehicles £'000</b>	<b>Computer equipment £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2011 (restated)	-	5	3,027	1,356	4,388
Additions	11	-	2,361	226	2,598
Disposals	-	(5)	(1,866)	(104)	(1,975)
At 31 October 2011	11	-	3,522	1,478	5,011
<b>Accumulated depreciation</b>					
At 1 January 2011 (restated)	-	5	2,055	715	2,775
Charge for the period	1	-	487	148	636
Disposals	-	(5)	(1,866)	(104)	(1,975)
At 31 October 2011	1	-	676	759	1,436
<b>Net book value</b>					
At 31 October 2011	10	-	2,846	719	3,575
At 31 December 2010 (restated)	-	-	972	641	1,613

The brought forward cost and accumulated depreciation have been restated to correct for errors identified by the current directors during the accounting period ending 31 October 2011.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011****12. FIXED ASSET INVESTMENTS**

	31 October 2011 £'000	31 December 2010 £'000 (restated)
Subsidiary undertakings	1,573	43
Other investments	-	3
	<u>1,573</u>	<u>46</u>
a) Investments in subsidiary undertakings		
	2011 £'000	2010 £'000
Cost		
At beginning of period	43	43
Additions	1,530	-
At end of period.	<u>1,573</u>	<u>43</u>

On 28 September 2011, the Company sold intellectual property to Longsand Limited in exchange for the issue of 999 ordinary shares in Longsand Limited.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****12. FIXED ASSET INVESTMENTS (continued)**

On 15 May 2011 the Company acquired a 100% shareholding in the following Iron Mountain companies

- Iron Mountain GmbH (name changed to Autonomy Digital GmbH)
- Iron Mountain SARL (name changed to Autonomy Digital SARL)
- Iron Mountain Digital Limited (name changed to Autonomy Digital Limited)
- Iron Mountain Digital KK

The Company has direct investments in the following subsidiary undertakings:

<u>Name</u>	<u>Principal activity</u>	<u>Class of holding</u>	<u>Country of incorporation</u>	<u>Holding %</u>
Autonomy Australia Pty	Software distribution	Ordinary	Australia	100%
Autonomy Belgium BVBA	Software distribution	Ordinary	Belgium	99%
Autonomy France Sarl	Software distribution	Ordinary	France	100%
Autonomy Germany GmbH	Software distribution	Ordinary	Germany	100%
Autonomy Italy SRL	Software distribution	Ordinary	Italy	100%
Autonomy Netherlands BV	Software distribution	Ordinary	Netherlands	100%
Autonomy Spain SL	Software distribution	Ordinary	Spain	100%
Autonomy Systems Singapore Pte Ltd	Software distribution	Ordinary	Singapore	100%
Autonomy Beijing	Software distribution	Ordinary	China	100%
Iron Mountain Digital KK	Software archiving	Ordinary	Japan	100%
Autonomy Digital GmbH	Software archiving	Ordinary	Germany	100%
Autonomy Digital SARL	Software archiving	Ordinary	France	100%
Autonomy Digital Limited	Software archiving	Ordinary	United Kingdom	100%
Longsand Limited	Software development	Ordinary	United Kingdom	100%



**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****12. FIXED ASSET INVESTMENTS (continued)**

	<b>£'000</b> <b>(restated)</b>
b) Other investments - unlisted trade investments	
<b>Cost</b>	
At 1 January 2011	203
Disposals	(203)
	<u>          </u>
At 31 October 2011	<u>          </u>
	-
<b>Impairment</b>	
At 1 January 2011	200
Written off	3
Disposals	(203)
	<u>          </u>
At 31 October 2011	<u>          </u>
	-
<b>Net book value</b>	
At 31 October 2011	<u>          </u>
	-
At 31 December 2010	<u>          </u>
	<u>          </u>
	3

Prior year numbers have been restated to remove an investment of £2,607,000 in Realise Limited which had been recognised in the Company balance sheet. The current directors identified that this investment is actually owned by Autonomy Corporation Limited (the parent Company of Autonomy Systems Limited) and hence the investment has been recorded in the financial statements of Autonomy Corporation Limited.

**13. DEBTORS**

	<b>31 October</b> <b>2011</b> <b>£'000</b>	<b>31 December</b> <b>2010</b> <b>£'000</b> <b>(restated)</b>
Trade debtors	36,020	24,701
Amounts due from group companies	159,599	108,356
Corporation tax	13,699	-
Other debtors	2,338	6,717
Prepayments and accrued income	3,654	7,104
Deferred tax (note 7)	-	1,363
	<u>          </u>	<u>          </u>
	<u>215,310</u>	<u>148,241</u>

All debtors are due within one year at 31 October 2011 and 31 December 2010.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011****14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 October 2011 £'000</b>	<b>31 December 2010 £'000 (restated)</b>
Trade creditors	5,461	4,141
Amounts owed to group companies	13,927	16,433
Corporation tax	-	5,924
Taxation and social security	22,493	1,232
Other liabilities	4,860	5,301
Accruals and deferred income	46,777	31,327
	<u>93,518</u>	<u>64,358</u>

Included within other liabilities at 31 October 2011 are liabilities associated with debt financing arrangements of £4,690,000 (31 December 2010: £5,169,000).

**15. CALLED UP SHARE CAPITAL**

	<b>31 October 2011 £</b>	<b>31 December 2010 £</b>
Authorised, allotted, called up and fully paid 100 (2010: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

**16. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total 2011 £'000</b>	<b>Total 2010 £'000</b>
At beginning of period (restated - note 19)	-	129,515	129,515	108,882
Retained profit for the period	-	12,155	12,155	19,626
Stock compensation charge for the period	-	5,111	5,111	1,007
At end of period	<u>-</u>	<u>146,781</u>	<u>146,781</u>	<u>129,515</u>

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****17. OPERATING LEASE COMMITMENTS**

The Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	31	31	31	31
	October	December	October	December
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
		(restated)		(restated)
Leases which expire:				
Within one year	47	256	11	12
Between two to five years	1753	1,753	49	40
After five years	-	-	-	1
	<u>1,800</u>	<u>2,009</u>	<u>60</u>	<u>53</u>

**18. PENSION ARRANGEMENTS**

The Company operated a defined contribution pension scheme for which the pension cost charge for the period amounted to £118,000 (year ended 31 December 2010: £124,000). At 31 October 2011 the Company had £59,000 accrued in respect of pension contributions (year ended 31 December 2010 £28,000).

**19. PRIOR PERIOD RESTATEMENT***Fundamental errors*

REDACTED

The extensive investigations undertaken by Hewlett-Packard, and by the Directors, into the past accounting practices of the group, have revealed extensive errors in the previously issued financial statements. These have required all aspects of the accounting to be re-assessed. The errors (including misstatements) found as a result of these investigations have led to restatements to the previously issued financial statements of the Company for the year ending 31 December 2010, principally relating to the recognition of revenue and costs, as well as to the accounting for investments and to correct the balance sheet for balances denominated in foreign currency not re-valued at the year end.

Given the volume and magnitude of the above errors, it is possible that further errors may remain undetected.

REDACTED

The Company's earnings and financial position may be further impacted by any such additional errors found in the accounting of fellow group undertakings including in intragroup transactions, especially as the Company earns a significant element of revenue from the earnings of fellow group undertakings.

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****19. PRIOR PERIOD RESTATEMENT (continued)***Accounting policy changes*

During the period the Company changed its accounting policy in relation to research and development expenditure. The Company has historically capitalised development costs on the balance sheet and amortised these costs through the profit and loss account over the life of the product to which they related. During 2011, after the Company became a subsidiary of Hewlett-Packard, this policy was amended to expense all research and development expenditure as incurred to the profit and loss account to align the accounting policies of Autonomy Systems Limited with that of other Hewlett-Packard Companies reporting under UK GAAP. This is considered to be a change in accounting policy to a more appropriate methodology and therefore the comparatives have been restated.

Current period profit before tax is reduced by £13,897,000 as a result of the accounting policy change.

The Company has also restated prior period costs due to a change in accounting policy with regard to cost classification, between cost of sales, administration expenses and distribution expenses. This change has been made in order to present financial statements that more appropriately reflect the definitions of these costs. This change has no impact on previously reported net profit or reserves.

The company also conformed the presentation of the stock compensation reserve to reclassify the amount against retained earnings. This change has no impact on previously reported net profit or reserves.

Summary impact on the 2010 Profit & Loss account and Balance Sheet:

	Profit for the year	Shareholder funds / net assets
	£'000	£'000
As previously reported – 31 December 2010	105,747	298,188
Impact of 2009 restatements (per table below)	-	(82,552)
Correction of fundamental errors:		
Revenue related errors (Note i)		
- Impact via direct sales	(19,617)	(19,617)
- Impact via transfer pricing revenue	(50,945)	(50,945)
Cost recognition errors (Note ii)	(2,450)	(2,450)
Transfer of investments incorrectly recorded in balance sheet (Note iii)	-	-
Revaluation of balances denominated in foreign currencies (Note iv)	344	344
	<u>(72,668)</u>	<u>(72,668)</u>
Accounting policy changes:		
Change in research and development accounting policy	(19,806)	(19,806)
Deferred tax impact of change in research and development accounting policy (note v)	6,353	6,353
	<u>(13,453)</u>	<u>(13,453)</u>
As restated – 31 December 2010	<u>19,626</u>	<u>129,515</u>

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS****10 months ended 31 October 2011****19. PRIOR PERIOD RESTATEMENT (continued)**

Summary impact on brought forward reserves at 1 January 2010:

	<b>Retained earnings £'000</b>	<b>Shareholder funds / net assets £'000</b>
As previously reported -- 31 December 2009	188,010	191,434
Correction of fundamental errors:		
Revenue related errors (Note i)		
- Impact via direct sales	(5,032)	(5,032)
- Impact via transfer pricing revenue	(73,520)	(73,520)
Cost recognition errors (Note ii)	(7,941)	(7,941)
Revaluation of balances denominated in foreign currencies (Note iv)	6,360	6,360
	<u>(80,133)</u>	<u>(80,133)</u>
Accounting policy changes:		
Impact of change in research and development accounting policy	(2,419)	(2,419)
Stock compensation reserve reclassified to retained earnings	3,424	-
	<u>1,005</u>	<u>(2,419)</u>
As restated -- 31 December 2009	<u>108,882</u>	<u>108,882</u>

**AUTONOMY SYSTEMS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**10 months ended 31 October 2011****19. PRIOR PERIOD RESTATEMENT (continued)***Notes:*

(i) Extensive errors have been identified and corrected related to the sale of software and the recognition of associated costs.

Revenue has been reversed or deferred to a later period where review of the transactions indicated that the risks and rewards of ownership had not transferred at the point when revenue had previously been recognised. The causes of these adjustments to previously recorded revenue include: sales where other collectability issues existed at the time of initial recognition of revenue; barter type transactions where an element of the transaction did not have economic substance or for which a fair value could not be reliably determined; services transactions where the arrangement required significant customisation or for which costs to complete could not be reliably estimated; and managed services arrangements where multiple element accounting was applied despite the resultant elements either having no separate economic substance or for which a reliable fair value was not determined for the undelivered elements.

These adjustments impact the financial statements both through direct sales made by the Company to third parties and via similar mis-statements in fellow group undertakings which resulted in erroneous transfer pricing revenue recorded by the Company. Errors in the proper application of the transfer pricing agreements between the Company and its fellow group undertakings have also been corrected.

(ii) Cost recognition adjustments relating to trade expenses and employee related expenses, principally commissions, bonuses, employee expenses and vacation accruals have been identified, resulting in restatements at 31 December 2010 and 31 December 2009 to reflect correct expense recognition at the appropriate balance sheet date.

(iii) As per Note 12, prior year numbers have been restated to remove the investment of £2,607,000 in Realise Limited which had been recognised on the Company balance sheet. The current directors identified that this investment is actually owned by Autonomy Corporation Limited (the parent Company of Autonomy Systems Limited) and an adjustment has been included to correctly record the investment within the financial statements of Autonomy Corporation Limited.

(iv) Monetary assets and liabilities denominated in foreign currencies had not been correctly re-valued at the balance sheet date in previous financial statements. The prior year adjustment reflects the retranslation of the balances into sterling at the rates of exchange at 31 December 2010.

(v) As a result of the change in accounting policy in relation to capitalising research and development costs, the Company has de-recognised an associated deferred tax liability.

Furthermore, as a result of the fundamental errors identified, the Company has submitted a total claim for overpayment of tax of £37,385,000 in December 2013 (£17,791,000 in respect of the tax return for the year ended 31 December 2009 and £19,594,000 in respect of the tax return for the year ended 31 December 2010). Based on further adjustments to the financial statements after the claim was submitted to HMRC the current best estimate of the revised claim that will be submitted to HMRC for over payment of tax is £38,435,000 (£18,696,000 in respect of the tax return for the year ended 31 December 2009 and £19,739,000 in respect of the tax return for the year ended 31 December 2010). At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment.

**20. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8 ("Related Party Transactions"), and accordingly has not provided details of its transactions with other wholly owned entities forming part of the Hewlett-Packard Company group. There are no further related party transactions requiring disclosure.

## AUTONOMY SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

10 months ended 31 October 2011

#### 21. CONTINGENT LIABILITIES

REDACTED

#### 22. ULTIMATE PARENT COMPANY

The directors regard Hewlett-Packard Company, a corporation registered in the United States of America, as the ultimate parent Company and controlling party of the Company as at the balance sheet date. The directors regard Autonomy Corporation Limited (formerly Autonomy Corporation plc) as the ultimate parent Company and controlling party of the Company until 3 October 2011 when the Autonomy Group was acquired by Hewlett-Packard Company. Autonomy Corporation Limited (formerly Autonomy Corporation plc) is the immediate parent Company as of period end.

Hewlett-Packard Company is the parent Company of the largest and smallest group for which the group accounts are drawn up. Copies of the group financial statements of Hewlett-Packard Company can be obtained from 3000 Hanover Street, Palo Alto, California, USA.

#### 23. POST BALANCE SHEET EVENTS

On 28 March 2012, the Directors of Autonomy Systems Limited declared an interim dividend of £191,508,000 (paid in USD at a rate of £1:USD1.5874) to Autonomy Corporation Limited.

On 25 April 2012, Autonomy Corporation Limited (formerly Autonomy Corporation plc) subscribed to 1 ordinary share in Autonomy Systems Limited at a premium equal to the face value of a promissory note between Autonomy Corporation Limited and Longsand Limited in return for transferring the promissory note to Autonomy Systems Limited.

Also on 25 April 2012, Autonomy Systems Limited subscribed to 1 ordinary share in Longsand Limited at a premium equal to the face value of the promissory note to settle the promissory note in full (face value: £424,000).

On 1 June 2013 the Company sold its trade and assets to Hewlett-Packard Limited, a fellow group undertaking, retaining only its research and development function, transferring net liabilities with a book value of £5,748,000. The Company also retained balances due and from fellow group undertakings.

As discussed in note 19, the Company booked a number of prior year adjustments in respect of the years ended 31 December 2009 and 31 December 2010. As a result of this the Company has submitted a total claim for overpayment of tax of £37,385,000 in December 2013 (£17,791,000 in respect of the tax return for the year ended 31 December 2009 and £19,594,000 in respect of the tax return for the year ended 31 December 2010). Based on further adjustments to the financial statements after the claim was submitted to HMRC the current best estimate of the revised claim that will be submitted to HMRC for over payment of tax is £38,435,000 (£18,696,000 in respect of the tax return for the year ended 31 December 2009 and £19,739,000 in respect of the tax return for the year ended 31 December 2010). At the date of signing the financial statements HMRC have not agreed the claim and therefore no benefit has been recognised as it is difficult to reliably estimate the final value of the repayment.